

**RURAL WATER DISTRICT NO. 7,  
WAGONER COUNTY, OKLAHOMA  
OKAY, OKLAHOMA**

**AUDITED FINANCIAL STATEMENTS AND NOTES  
For the Years Ended December 31, 2021 and 2022**

**AUDITED BY:**

Robert St. Pierre C.P.A., P.C.  
Certified Public Accountant  
1113 North Second St.  
Stilwell, Oklahoma 74960

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**INDEPENDENT**

**AUDITOR'S**

**REPORT**

# ROBERT ST. PIERRE C.P.A., P.C.

***Certified Public Accountant***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rural Water District No. 7, Wagoner County, Oklahoma  
Okay, Oklahoma

### ***Opinions***

We have audited the accompanying financial statements of the business-type activities, of the Rural Water District No. 7, Wagoner County, Oklahoma (the "District") as of and for the years ended December 31, 2021 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities, of the District, as of December 31, 2021 and 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

The District has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **April 19, 2023**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rural Water District No. 7's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

***Robert St. Pierre***

Robert St. Pierre C.P.A., P.C.  
Stilwell, Oklahoma  
**April 19, 2023**

**FINANCIAL**  
**SECTION**

**RURAL WATER DISTRICT NO. 7, WAGONER COUNTY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**For the Years Ended December 31, 2021 and 2022**

<b>ASSETS</b>		<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents (Note 4)		\$ 68,996	\$ 213,027
Certificates of Deposit (Note 4)		413,157	157,325
<b>TOTAL CURRENT ASSETS</b>		<b>482,153</b>	<b>370,352</b>
<b>FIXED ASSETS (NOTE 6):</b>			
Water District Facilities		3,085,676	3,080,176
Land		11,000	11,000
Office Furniture & Fixtures		16,120	16,120
Vehicles		49,430	49,430
Equipment		164,450	159,800
Buildings & Improvements		135,558	135,558
Less: Accumulated Depreciation		(1,692,448)	(1,590,073)
<b>NET FIXED ASSETS</b>		<b>1,769,786</b>	<b>1,862,011</b>
<b>TOTAL ASSETS</b>		<b>\$ 2,251,939</b>	<b>\$ 2,232,363</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES:</b>			
Current Portion of Long-Term Debt (Note 5)		\$ 107,796	\$ 107,336
<b>TOTAL CURRENT LIABILITIES</b>		<b>107,796</b>	<b>107,336</b>
<b>LONG-TERM LIABILITIES:</b>			
DWSRF Construction Loan (Note 5)		491,193	598,989
<b>TOTAL LONG TERM LIABILITIES</b>		<b>491,193</b>	<b>598,989</b>
<b>TOTAL LIABILITIES</b>		<b>598,989</b>	<b>706,325</b>
<b>NET POSITION:</b>			
Invested in Fixed Assets Net of Related Debt		1,170,797	1,155,686
Unrestricted Net Assets		482,153	370,352
<b>TOTAL NET POSITION</b>		<b>\$ 1,652,950</b>	<b>\$ 1,526,038</b>

**RURAL WATER DISTRICT NO. 7, WAGONER COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**For the Years Ended December 31, 2021 and 2022**

	<u>2022</u>	<u>2021</u>
<b>REVENUE:</b>		
Water Sales	\$ 471,929	\$ 407,810
Meter Reading	343	19,625
Benefit Units	17,175	19,475
Late Penalty Income	7,868	7,569
Reconnect Fees	1,995	2,305
Other Income	<u>1,007</u>	<u>362</u>
<b>TOTAL OPERATING REVENUE</b>	<u>500,317</u>	<u>457,146</u>
<b>EXPENSES:</b>		
Water Purchased	1,791	1,838
Contract Labor	23,458	22,906
Vehicle Expenses	936	2,816
Professional Fees	3,900	4,017
Salaries & Wages	104,348	85,181
Payroll Taxes & Benefits	13,799	11,004
Rent & Lease	874	864
Licenses & Dues	8,030	7,985
Supplies	49,452	29,236
Office Expense	11,306	9,523
Postage & Delivery	4,470	3,020
Insurance	20,513	21,112
Telephone	3,953	9,219
Penalties	271	6,623
Repairs and Maintenance	1,025	417
Chemicals, Field Supplies, & Lab Testing	1,070	6,732
Utilities	21,563	21,337
Depreciation	<u>100,661</u>	<u>102,281</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>371,420</u>	<u>346,111</u>
<b>NET INCOME FROM OPERATIONS</b>	<u>128,897</u>	<u>111,035</u>
<b>OTHER INCOME (EXPENSES):</b>		
Interest Income	4,527	5,032
Gain (Loss) on Sale of Assets	-	(406)
Interest Expense	(3,398)	(3,380)
Donations	<u>(1,400)</u>	<u>-</u>
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(271)</u>	<u>1,246</u>
<b>CHANGE IN NET POSITION</b>	128,626	112,281
<b>NET POSITION, BEGINNING OF THE YEAR (RESTATED)</b>	<u>1,524,324</u>	<u>1,414,863</u>
<b>NET POSITION, END OF THE YEAR</b>	<u><u>\$ 1,652,950</u></u>	<u><u>\$ 1,527,144</u></u>



**RURAL WATER DISTRICT NO. 7, WAGONER COUNTY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021 and 2022**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Inflows:		
Cash Received from Customers	\$ 500,317	\$ 457,146
Cash Outflows:		
Payments to Employees and Benefits	(118,147)	(96,185)
Payments to Suppliers for Goods and Services	(152,612)	(181,389)
Other Receipts (Payments)	<u>(1,400)</u>	<u>(553)</u>
<b>Net Cash Provided (Used) by Operating Expenses</b>	<u>228,158</u>	<u>179,019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Certificates of Deposit	(255,832)	203,246
Additions to Capital Assets	(10,150)	(162,786)
Proceeds from Sale of Assets	-	2,273
Interest Income	<u>4,527</u>	<u>5,032</u>
<b>Net Cash Provided (Used) for Investing Activities</b>	<u>(261,455)</u>	<u>47,765</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Reduction of Long-Term Debt	(107,336)	(106,891)
Interest Paid on Long-Term Debt	<u>(3,398)</u>	<u>(2,827)</u>
<b>Net Cash Provided(Used) for Capital &amp; Related Financing Activities</b>	<u>(110,734)</u>	<u>(109,718)</u>
<b>NET CASH INFLOW (OUTFLOW) FROM ALL ACTIVITIES</b>	(144,031)	117,066
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR</b>	<u>213,027</u>	<u>95,961</u>
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	<u>\$ 68,996</u>	<u>\$ 213,027</u>
<b>Interest Expense</b>	<u>\$ 3,398</u>	<u>\$ 3,380</u>

**RURAL WATER DISTRICT NO. 7, WAGONER COUNTY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
For the Years Ended December 31, 2021 and 2022

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Operating Income (Loss to Net Cash)</b>		
<b>Provided by Operating Activities:</b>		
Operating Income	\$ 125,499	\$ 107,101
Add: Depreciation Expense	100,661	102,281
Miscellaneous Nonoperating Income (Expense)	(1,400)	-
<b>(Increase) Decrease in:</b>		
Payroll Taxes Payable	<u>-</u>	<u>(32,637)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 224,760</u></u>	<u><u>\$ 176,745</u></u>

**FINANCIAL**

**STATEMENT**

**NOTES**

**RURAL WATER DISTRICT NO. 7, WAGONER COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rural Water District No. 7, (the "District") was incorporated as a rural water district in February of 1967, under the provisions of Title 82, O.S. 1981 Sections 1324.1-1324.26 inclusive, for the purpose of furnishing water services to the residents of the District by constructing and maintaining a water system.

The Board of Directors consists of five (5) members serving a term of three (3) years. The officers are elected at the annual meeting each year.

**A. Reporting Entity**

Rural Water District No. 7 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The basic financial statements of the District have been prepared on the modified cash basis, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America.

The District's basic financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the modified cash basis of accounting.

The District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets, and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States of America unless such an investment is expressly prohibited by law.

All the bank deposits are carried at cost plus accrued interest.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### ***Custodial Credit Risk***

As of December 31, 2022, the District held deposits of approximately \$482,153 in two (2) financial institutions that are each insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured balance as of December 31, 2022, was approximately \$163,152. The District's deposit accounts consisted of:

- Operating Account: Gross revenues of the District are to be deposited in this account. The reasonable and necessary current expenses of operating and maintaining the District for each month are also paid from this account. At December 31, 2022, the amount of this account totaled \$68,996.
- Cash in Reserve: Consists of certificates of deposit. The excess funds from the Money Mark/Savings Accounts are transferred to these accounts up to twice a year. At December 31, 2022, the total amount of the five (5) certificates of deposit was \$413,157.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### ***Investment Credit Risk***

The District has no policy that limits its investment choices other than the limitation of state law as follows:

Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.

County, municipal or school District tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school District.

Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

## **2. Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

## **3. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## **4. Income Tax**

As a subdivision of the State of Oklahoma, the District is exempt from federal and state income taxes.

**5. Benefit Units**

Residents requesting water services are required to purchase a benefit unit valued at \$1,500 each. In accordance with Article 6, Section 3 of the District's By Laws, consideration paid for the benefit units is considered a donation.

**6. Capital Assets**

Additions to the water storage delivery system and other equipment are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The District maintains a capitalization threshold of \$2,500 for assets that increase the capacity or operation efficiency or extend the useful life of any assets, are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Type</u>	<u>Years</u>
Water District Facilities	30-40
Buildings & Improvements	15-20
Equipment	5-10
Office Equipment	5
Vehicles	5
Furniture & Fixtures	10

**7. Net Position**

In the basic financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

**a. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including net positions, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used.

**D. Revenues, Expenses and Other Changes in Net Position**

**1. Operating Revenues and Expenses**

Operating revenues and expenses are principally from water sales and connection fees charged to new system subscribers. Customer water consumption is determined by monthly meter readings taken by the District. The water sales from subscriber water consumption are recognized as revenue when paid in accordance with the modified cash basis of accounting. Operating expense consist of those costs necessary to operate and maintain the water distribution system and for general administration of the District.

**2. Non-Operating Revenue and Expenses**

Non-operating revenues and expenses consist of investment earnings, interest expense incurred on the District's notes payable and gains and losses on sales or the abandonment of long-lived assets.

**NOTE 2: DEFICIT NET POSITION**

As indicated in the financial statements, there is no deficit net position for the District for this fiscal year.

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws,

regulations, contracts, and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

**NOTE 4: CASH AND CASH EQUIVALENTS AND OTHER ASSETS**

Cash and cash equivalents consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating Account	\$ 68,966	\$ 202,528
Money Market/Savings Account	-	10,499
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 68,966</u>	<u>\$ 213,027</u>
Certificates of Deposit	<u>\$ 413,157</u>	<u>\$ 157,325</u>

**NOTE 5: LONG-TERM DEBT**

At December 31, 2021 and 2022, District had the following note:

- On August 1, 2007, the District secured a 20-year note (the "Drinking Water SRF Loan Agreement") from the Oklahoma Water Resources Board for a new water plant totaling \$1,850,000. The security for the note includes a pledge and assignment of revenue generated by the District. After 2020, the interest rate became 0% and the per annum administrative fee rate became 0.5%. Payments are made on a semi-annual basis in March and September each year. At December 31, 2021 and 2022, the outstanding balance of the note was \$706,325 and \$598,989, respectively.

The schedule of future maturities at December 31, 2021 and 2022 is as follows:

<b>2022</b>	<b>Date</b>	<b>Collateral</b>	<b>Rate</b>	<b>Original</b>	<b>Balance</b>
<b>Payable to:</b>	<b>Note Matures</b>	<b>Pledged</b>	<b>of Admin. Fees</b>	<b>Balance</b>	<b>At 12/31/2022</b>
OK Water Resource Board	3/15/2028	8/1/2007	0.50%	\$ 1,850,000	\$ 598,989
				<u>\$ 1,850,000</u>	<u>\$ 598,989</u>

The total future scheduled maturities of long-term debt are as follows:

Years ending December 31:

	<b>PRINCIPAL</b>	<b>ADMIN. FEES</b>
Current Portion	\$ 107,796	\$ 3,398
2024	108,265	2,860
2025	108,763	2,321
2026	109,270	1,779
2027	109,795	1,234
2028	55,100	687
<b>TOTAL</b>	<u>\$ 598,989</u>	<u>\$ 12,279</u>

**2021**

Payable to:	Date Note Matures	Collateral Pledged	Admin. Fees Rate of Interest	Original Balance	Balance At 12/31/2021
OK Water Resource Board	3/15/2028	8/1/2007	0.50%	\$ 1,850,000	\$ 706,325
				<u>\$ 1,850,000</u>	<u>\$ 706,325</u>

The total future scheduled maturities of long-term debt are as follows:

Years ending December 31:

	PRINCIPAL	ADMIN. FEES
Current Portion	\$ 107,336	\$ 3,398
2023	107,796	2,860
2024	108,265	2,321
2025	108,763	1,779
2026	109,270	1,234
2027	109,795	687
2028	55,100	138
TOTAL	<u>\$ 706,325</u>	<u>\$ 12,417</u>

**NOTE 5: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability.

**NOTE 6: CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2021 and 2022, were as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
Capital Assets				
Water District Facilities	\$ 3,080,176	5,500	-	\$ 3,085,676
Land	11,000	-	-	11,000
Office Furniture & Fixtures	16,120	-	-	16,120
Buildings & Improvements	135,558	-	-	135,558
Equipment	159,800	4,650	-	164,450
Vehicles	49,430	-	-	49,430
Total Capital Assets	<u>3,452,084</u>	<u>10,150</u>	<u>-</u>	<u>3,462,234</u>
Less: Accumulated Depreciation	<u>1,591,786</u>	<u>100,661</u>	<u>-</u>	<u>1,692,448</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 1,860,298</u>	<u>(90,511)</u>	<u>-</u>	<u>\$ 1,769,786</u>



	Balance			Balance	
	January 1, 2021	Additions	Reductions	December 31, 2021	
Capital Assets					
Water District Facilities	\$ 2,921,814	160,266	1,904	\$ 3,080,176	
Land	11,000	-	-	11,000	
Office Furniture & Fixtures	26,733	2,520	13,133	16,120	
Buildings & Improvements	135,558	-	-	135,558	
Equipment	180,527	-	20,727	159,800	
Vehicles	78,926	-	29,496	49,430	
Total Capital Assets	3,354,558	162,786	65,260	3,452,084	
Less: Accumulated Depreciation	1,550,376	102,281	62,585	1,590,073	
Business-Type Activities, Capital Assets, Net	\$ 1,804,182	60,505	2,675	\$ 1,862,011	

## NOTE 7: WATER RATES

The new District water rate structure adopted during 2022 is as follows:

Minimum	\$ 37.00	6,001-7,000 Gallons	7.25
1-1,000 Gallons	4.25	7,001-8,000 Gallons	7.75
1,001-2,000 Gallons	4.50	8,001-9,000 Gallons	8.25
2,001-3,000 Gallons	5.25	9,001-10,000 Gallons	10.00
3,001-4,000 Gallons	5.75	10,001-20,000 Gallons	12.00
4,001-5,000 Gallons	6.25		
5,001-6,000 Gallons	6.75	*Per Thousand Gallons.	

## NOTE 8: LEASES

The District is party to the following operating lease agreement as of December 31, 2022:

- Lease agreement beginning January 1, 2020, with Pitney Bowes Inc. for a postage machine. Terms of the lease require 60 monthly payments of \$61.20 or quarterly payments of \$183.60. Payments related to this lease for the next five (5) years are as follows:

Fiscal Year	
2022	\$ 734
2023	734
2024	734
2025	-
2026	-
Total	<u>\$ 2,202</u>

## NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 19, 2023, the date which the financial statements were available to be issued.

**SUPPLEMENTARY**

**INFORMATION**

# ROBERT ST. PIERRE C.P.A., P.C.

**Certified Public Accountant**

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Rural Water District No. 7, Wagoner County, Oklahoma  
Okay, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Rural Water District No. 7, as of and for the years ended December 31, 2021 and 2022, and the related notes to the financial statements, which collectively comprise Rural Water District No. 7's basic financial statements and have issued our report thereon dated April 19, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water District No. 7's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Water District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Water District No. 7's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-1 that we consider to be significant deficiencies.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Water District No. 7's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Rural Water District No. 7, Wagoner County, Oklahoma's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Rural Water District No. 7's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Rural Water District No. 7's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robert St. Pierre*

Robert St. Pierre CPA, PC  
Stilwell, Oklahoma  
April 19, 2023

## SCHEDULE OF FINDINGS AND RESPONSES

### For the Years Ended December 31, 2021 and 2022

#### **2022-1: Lack of Segregation of Duties**

**Criteria:** The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition:** Presently, the same individual that is responsible for recording invoices and issuing all disbursement checks also reconciles the monthly bank statements. This condition was also reported in 2021.

**Cause:** The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**Effect or Potential Effect:** Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the membership and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation:** Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

**Responsible Official's Response:** The District concurs with the recommendation and will continue to remain active in their oversight authority and remain aware of the limited internal controls. Board members will also consult the Small Office Internal Control guide issued by the Oklahoma State Auditor.